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CIA

### Reflections on Agency Productivity Issues, FY 1964

The President has recently called for an increase in productivity in Government agencies. Directives have been issued to this end, e.g., Bureau of the Budget Circular A-44. This objective requires continued attention to work efficiency and the management of resources by all agencies of Government. What does this mean to CIA?

The first step to meeting the President's call was the agreement by the Director to take a cut in budgeted funds for personnel of about one percent in FY 1964. Or put otherwise, the Agency has agreed that through increases in productivity, it will be possible to get along with less than originally requested. This decision represents an aggressive confrontation by the Agency of the challenge of productivity in the face of increasing workloads.

Also the Agency has accepted a total budget figure more than six percent lower than requested, while at the same time adding programs of considerable magnitude for research and development, communications and expansion of propaganda facilities. In order to do this the Agency has withdrawn most of its fund request for replenishing the Reserve for contingencies. That Reserve is now being maintained at a minimum working level. Or put otherwise, we have used it for capital investment in FY 1964 for our regular programs. The Agency cushion - its contingency reserve level - does not encourage any failures in maximum use of existing resources.

This situation is not as ominous as it may sound. The Agency budget continues to have considerable flexibility.

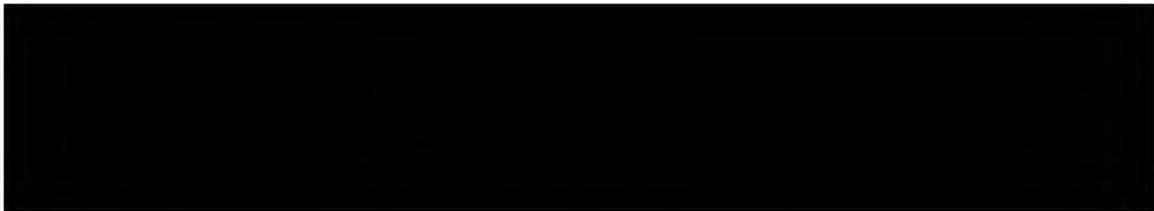
(a) There is head-room built in for the promotion of our personnel, although with the one percent productivity cut it becomes increasingly mandatory that we guard against indiscriminate upgradings or promotions.

(b) Flexibility exists in approved levels of projects. Historical analysis on a project-by-project basis reflects considerable underspending in many projects against which funds in the budget were justified. These surpluses, year after year, have permitted reprogramming and absorption of new projects.

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(d) Flexibility also exists to the extent we are able to identify and curtail Agency functions which are questionable in the priority of things. It is in this area that the Comptroller and Deputies must continue to take a hard management look in compliance with the Director's expressed desire to cut out lesser priority activity. In doing so it is also reasonable to project a percentage increase in productivity.

What of the matter of productivity stimulus? What of the question of measurement qualitatively and quantitatively of our efforts? What criteria can be developed by the Agency management to allocate and reallocate on a continuing basis and to insure proper balance in organizational workload between and among Deputy Directorates on a priority basis? Or put otherwise, how do we distinguish in priority between radios, espionage, external research, R&D, production of current intelligence, etc., etc. How can we insure flexibility in use of personnel, space and materiel? How should the mechanisms for these value judgements be directed to work? What direct authority and responsibility does the Agency Comptroller have in leading the effort?

The proper assessment of Agency activities and the choice of priority is not an easy task. It involves many intangibles. It involves an Agency orientation - an attitude which will overcome the present tendency of parochialism. It involves regularized and continuous review of programs by the top. It involves insistence by the DCI on performance and productivity by supervisors, and most important it involves hard-nose reprogramming decisions including the shedding of marginal activity, relocation and/or separation of personnel.

These involvements return us again to ask -- What machinery for measurement is available? The answer rests primarily in the budget and programming processes and a strong central direction of these processes.

The mechanisms are the Executive Committee, the Financial Policy and Budget Committee, the Comptroller, and the annual budget review by the Deputies and their staffs. These forums provide the judgement bodies.

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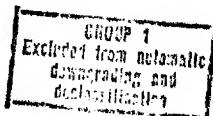
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The problems facing these bodies are many. In the context of this paper and at the risk of repeating myself they include identification and use of flexibility in our resources - manpower and funds - against Agency needs, and creation of new and improved flexibility within existing resources by abolition of marginal effort.

The practice of the past suggests that our tools to meet the problems cited above need considerable sharpening. For example, historically, we have accepted reductions in personnel and/or funds by distributing the cut on a percentage basis. We have used this method which assumed that a proper balance existed between and among programs of each Deputy Directorate. Why have we not been able to undertake these reductions on a priority selection basis? First, because there was no mechanism or review system which could justifiably dispute "the assumption of balance". So we accepted it. Second, the Agency organization by Deputy Directorates encouraged a parochialism which, while it may be operationally realistic, does not seem to be conducive to Agency value judgements of relative priorities. Third, in instances where attempts have been made by the top to break down and define priority they have generally failed. This lack of success is used to demonstrate the hopelessness of the technique of committee management. Fourth, there have been external pressures which have disallowed certain changes in program which may have been desirable from an Agency point of view. These external pressures will always be with us.

Perhaps some lesson which will help sharpen our tools and modify our attitudes can be learned from the recent hold-the-line policy implementation in the FY 1964 budget. This hold-the-line decision resulted in almost every component of the Agency budgeting its programs at the same level as in FY 1963. Subsequent analysis by the Budget Division of these programs indicated considerable slack in some money requests while in others little or no flexibility was provided. This situation prevailed within each Deputy Directorate and also occurred across the Deputy Directorates. Unfortunately this failure in careful and wise attention and in balanced reprogramming in response to the Director's hold-the-line policy was also apparent to BOB examiners. This fact tended to undermine the DCI's room to maneuver in negotiating a budget level for new programs and could well have resulted in shaking the Director's confidence in his budgeted line items.

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In a paper such as this, little more than generalization can be made. One opens themselves to the charge of being "academic". But we must recognize the challenge to us of the President's directive. We must take positive steps to meet it head on. In other words we must do better. Insofar as a system can help, the present proposals for program review hold much promise. They should get full support at the top. If these review procedures are coupled with concentrated attention over the next two years to a program and performance analysis by each Deputy Director, by the Comptroller and by the Financial Policy and Budget Committee taking on the Agency view, real progress can and should be made.

While apples, espionage, lemons and airplanes are not altogether compatible there are some proven approaches to performance and program analysis. They involve the following steps - the mechanisms for the applications of which are in existence, especially as reflected by the Financial Policy and Budget Committee responsibility:

- (a) Identify and comprehend the end for which the program or project is justified, i.e. philosophical basis and objective to be attained. Record this.
- (b) Review existing programs or projects to this end and the techniques to be used to accomplish objectives.
- (c) Evaluate need for the program or project against use of resources in other ways and against its contribution to the Agency mission.
- (d) Review activities of the programs or projects in relation to objectives and recommend and/or make necessary adjustments as necessary in order to increase efficiency and productivity.
- (e) Evaluate organizational groupings in relation to program objectives, interrelated activities, and decision-making requirements.
- (f) Evaluate staffing requirements.
- (g) Evaluate adequacy or inadequacy of facilities, training, support, etc., for the program.
- (h) Evaluate finance, both revenue and requirements of the project.

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(i) Evaluate the reporting required.

Step (a) constitutes the ends, the remainder the means successively and in sequential order.

In this context the general conclusions of the Agency task force on manpower are apropos.

(a) More time and effort to selecting activities to be undertaken by the Agency.

(b) Evaluate programs and activities more vigorously - determine which projects to abandon or reduce, and which to expand.

(c) A much higher degree of selectivity is essential.

(d) CIA should resist taking over new functions which can properly be performed by other agencies unless we have a real obligation to do so, and unless appropriate provisions are made for sharing the burden in a budgeting and manpower sense.

(e) Some objective authority on behalf of the DCI should "question" the components utilization of their resources.

(f) A significant number of activities could be reduced in scope or eliminated without damage to the national interest. The Agency should concentrate on those clearly important activities that it is uniquely qualified to conduct.

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Chief, Budget Division

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